Sanctuary Point & Districts Community Bank® Branch

ANNUAL REPORT 2015

Bay & Basin Community

Financial Services Limited

ABN 62 105 756 063

Sanctuary Point & Districts **Community Bank®** Branch

annual report 2015

chairman's report

INTRODUCTION

Once again, it is my pleasure to provide you with my report on matters related to the Bay & Basin Community Financial Services Ltd ("BBCFSL"), and its performance for the year ended 30 June 2015.

CORPORATE AFFAIRS

Over the past 18 or so months, BBCFSL's franchise partner, Bendigo & Adelaide Bank Ltd in conjunction with the Community Bank Strategic Advisory Board ("CBSAB"), have been participating jointly in a project intended to redesign the franchise model under which Bendigo and Adelaide Bank Ltd's **Community Bank®** branch network operates. The outcome has now been published and it is intended that the revised model will be launched in July 2016. The project known as "Project Horizon" is now in the implementation planning stage.

For a more detailed description of what "Project Horizon" is, and its potential impact on the way the **Community Bank®** network will operate in the future, please refer to pages 15, 16 and 17 of the Financial Statements - **Note 1**, section **b) Revenue**, which forms part of this overall Report.

In last year's Chairman's Report, I noted that BBCFSL's Board had unanimously resolved to exercise BBCFSL's right to implement the **final** five year option on its **original** Franchise Agreement (the agreement will expire in April 2019, and is subject to termination should BABL not offer a new agreement at that time) which it did on 2 April 2014. Under BBCFSL's version of the Agreement, any change to the way Revenue is calculated and paid needs to be agreed to by BBCFSL. This being the case, BBCFSL will **not** be subject to the outcome of "Project Horizon" in regard to its revenue stream until April 2019, unless the Board perceives some advantage for BBCFSL's shareholders and the local community, prior to that date.

SHAREHOLDERS' DIVIDEND

The global economy continues to grow, but the financial environment within which the company operates continues to be volatile, mainly because of the effect of the Greek debt crisis, the falling Chinese and other stock markets, low inflation, and the impact on Australian markets resulting from a reduction in commodity prices. Together, all of this influences the monetary policy within Australia, especially as it applies to interest rates, and this ultimately effects the income paid by Bendigo and Adelaide Bank Ltd to its **Community Bank®** network.

Nonetheless, in spite of the ongoing challenges presented by the market place, the company's book value has grown to $79.89 million, a growth of some 11% over last year. This in turn has generated a profit (before contributions to the Community Enterprise Foundation™, and income tax) of $64,467, an increase of $9,584 over last year.

Based on this, at the Board meeting held in August 2015, BBCFSL's Board approved the payment of a **fully franked dividend of six (6) cents per share** to its shareholders.

And once again, I need to acknowledge the efforts of our Treasurer, John Dunn, for his continued diligence in regularly monitoring and reporting on the company's financial situation.

THE BRANCH

As always, a major factor in the ongoing growth and achievement of the company has been the increased focus on the acquisition of new business, both in the individual and business customers' arenas. The very positive increase in BBCFSL's book of business to a large degree depends on the continuing high level of customer service and support provided by our team at the branch, and this year they have excelled in a number of arenas when compared to their counterparts within other branches in the region in which we operate.

As always, I would like to commend and thank our Manager, Keith Robinson, and his team for their efforts in this regard. Keith's detailed report on branch activities follows later in the Annual Report.

BOARD MEMBERSHIP

There have been a number of changes to the Board during the year since the last Annual Report. In bidding farewell to John Kelly, I would like to acknowledge the contribution he made to the company, especially in regard to the development of some of our community projects. I would also like to report that we have welcomed two new Directors to the Board, Allen Kruse and Michelle Miran, and we look forward to their contribution to running the affairs of the company. The Board continues to seek the services of people with the specific skills who would add value to the composition of the Board.

COMMUNITY SUPPORT

From time to time, it is worth reminding ourselves that the reason for establishing the Community Bank® branch all those years ago was twofold; it was to be an investment in the concept of "community" as well as the restoration of banking facilities within the Bay and Basin. And in the spirit of investing in the "community", during the past year, the Board approved a number of smaller grants and sponsorships totaling some $46,000, the recipients of which are listed later in the Annual Report. Included in this amount is a further $30,000 which has been paid into the Community Enterprise Foundation™ for use in future community grants funding

Major progress has been made in regard to the projects identified at the Community Forum held in November 2011. Since my last report, the status in regard to the previously incomplete projects has progressed as follows:

- A Community Food Garden ($5,000 allocated) - **now delivered**

- A Children's "learn to ride" circuit ($20,000 allocated) – **now delivered**

Another exciting Sanctuary Point **Community Bank®** project, currently known as the **Community Youth "Drop In" Centre**, is in the early stages of planning.

It should be noted that in all of these Forum related projects, BBCFSL acts in the role of "facilitator", and on completion of the projects, they are handed over to other entities for their ongoing management and maintenance.

We have also entered into the 4th year of our Youth Scholarship program ($10,000 funded each year).

All of these projects have progressed through the tireless efforts of our very enthusiastic Community Affairs subcommittee under the leadership and guidance of Veronica Husted, ably assisted by John Kelly (until his retirement), Keith Robinson, and Allan Kruse. And I must acknowledge the tremendous level of ongoing support provided by other local Community groups, the St Georges Basin Country Club, and the Shoalhaven City Council, whose support has been essential to the very pleasing outcome achieved.

COMMUNITY MAGAZINE

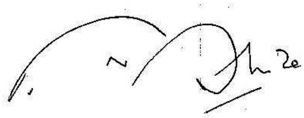
At the risk of repeating myself year after year, the **About.....©** magazine continues to play an important role in our marketing strategy. Not only is it a medium for delivering our message to some 10,000 homes and business houses in and around the Bay and Basin, but its delivery is eagerly anticipated by all those on the "distribution list" because of the local content contained therein. Again, thanks to all who have contributed to its production over the year. Special thanks to Con Dawe, the "Editor" and Michelle Graham from Sanctuary Point Printing, both of whom play a major role in ensuring the ongoing quality of the published product.

GOVERNANCE

One of the most important aspects of the Board's "roles and responsibilities" is to ensure that the company continues to prosper and complies with all ASIC regulations and guidelines. In this regard, we are indebted to Geoffrey Ellison for ensuring that all matters are dealt with appropriately. Geoffrey also guides the company in its strategic planning and shareholder communications, areas of our operation that are increasingly relevant with the ever changing environment surrounding our relationship with Bendigo and Adelaide Bank Ltd, as well as the current economic climate.

CONCLUSION

In concluding my report, I would like to thank all Board members for their untiring contribution to the company's operations during the year. All members have participated fully in addressing the challenges presented, both at Board level and on the various sub committees required to enable the company to fulfill its obligations effectively and efficiently.



Noel Burke – Chairman

manager's report

as at 30 June 2015

Financial Performance

Over the last financial year, the **Sanctuary Point & Districts Community Bank®** branch has achieved an 11.06% increase in its book of business. In dollar terms, this represents an increase of some $7.957 million through the year, and a year end position of $79.9 million. This is a commendable effort given the continuing challenging economic conditions that prevail, and the level of competition vying for a share of the financial pie in the area.

In summary, as at the end of 2015 financial year, the branch's business is represented by:

- A total of 4,313 accounts
- Total book value of $79.900 million
- Loan business of $19.456 million (430 loan accounts)
- Deposit business of $60.444 million (3,883 deposit accounts).

Staffing

There was only one change to the Branch staff during 2014/15 and that was the resignation of Nikola Saarinen, who resigned after nearly four years with the branch.

Nikki's resignation prompted us to have a rethink about the way that we staff the branch. We decided not to look for an experienced part-time staff member to fill the role but rather take on two trainees to complement the branch staffing. This decision has allowed for better coverage of the needs of the branch at a similar cost, and it also fits nicely with the ethos of the Company in helping the youth of the area.

At the time of writing this report, two trainees have been selected and commenced their roles at the branch. Sharna Boughton and Sarah Doyle commenced training in late July 2015. Both girls are on a two-year traineeship and will complete the Certificate III in Banking and Finance, as well as undergoing extensive on the job training in the branch.

The remaining staff in the branch continue to update their skills with best practice training. We also had a change in position for Kerry Welsh. During the year, Kerry completed her management development program achieving her DLA (Delegated Lending Authority). Given the dedication and effort that Kerry has put in during this time, the decision was taken to change her role from that of a CRO (Customer Relationship Officer) to that of a CRM (Customer Relationship Manager). This promotion was well deserved and I would like to take this opportunity to congratulate Kerry; she has become invaluable to the Branch.

Overall I am very happy with the team and the new staffing structure. I feel that once the trainees complete their training, the level of service provided by the branch, and our ability to engage with the community will be at the highest level we have been able to achieve to date.

Working in the Community

During this past year the branch has continued to develop the local branch of the Shoalhaven Business Chamber here in the Bay and Basin. This group has formed into a solid representation of businesses in the Bay and Basin area, and is steadily growing in numbers. The branch has continued to be very involved with the Shoalhaven Chamber itself, being a member of their management committee. This relationship has seen the branch enhance their good name amongst the business community within the Shoalhaven.

This past year again has seen significant support for many and varied community organisations in the Bay & Basin area. Your **Community Bank®** branch continues to build on relationships formed some years ago with local sporting groups and other organisations in the area, enabling residents to continue to enjoy the varied activities available locally. A list of those we supported this year appears later in this report.

In conclusion, I would like to thank the company's Board of Directors who give freely of their time to help make the local branch the success that it is, which in turn, helps to strengthen the local area, both economically and socially.

I look forward to another successful year in 2015/16 for our local **Community Bank®** branch

Keith G Robinson – Branch Manager

sponsorships/ grant allocations 2014-2015 Financial Year

During the year, many local organisations benefited from sponsorship and donations provided by your **Community Bank®**.

These included:-

- Bay & Basin Community Radio
- Bendigo Bank Aerial Patrol
- Sanctuary Point Public School
- Jervis Bay Christian School
- Vincentia Primary School
- Jervis Bay Public School
- Cancer Care Support Group
- St Georges Basin Country Club Men's Golf
- South Coast Referees Association
- St Georges Basin Bowls
- Vincentia Golf Club
- Vietnam Veterans Golf
- Community Enterprise Foundation
- Sanctuary Point Community Pride Group
- Bay & Basin Yacht Club
- St Georges Basin Football Club
- St Georges Basin Hockey
- Little A's
- Starlight Foundation
- Youth Awards
- Vincentia High School - Greenlight Driver Training

The contributions to the Bay & Basin area in the form of grants and sponsorships for this financial year totalled in the region of $46,000.

This included an amount of $30,000 donated to the Community Enterprise Foundation for funding future Community projects.

directors' report

Your directors submit the financial statements of the company for the financial year ended 30 June 2015.

DIRECTORS

The names and details of the company's directors who held office during or since the end of the financial year:

Nicholas Patrick Burke **Chairman** Retired IT Consultant/Project Manager	Former Member British Computer Society (BSc degree equivalent), ex-member of the Coastal Patrol, past Captain and current President of Vincentia Golf Club. *Special Responsibilities:* Chairman, Managing Director, Chair Human Resources Committee, member of Finance Committee. *Interest in shares:* Nil
Geoffrey McNiel Ellison **Company Secretary** Chartered Accountant, Retired Insolvency Practitioner	Past: Insolvency Partner 2nd tier Chartered Accountancy practice. Consultant to C of A. Faculty member (Business Planning Org.) Executive Council member - Treasurer, Strategic Planning Unit Leader (National Security & Defence Org.) Pacific Region Board member/President (International Accountancy Org.) Former Member IPAA. Fellow CPA. Current: Company Director UK subsidiary - Property Developer specialising in distressed property trade outs. Insolvency Consultant. Board Member Regional Museum - Treasurer, Strategic Planning Unit Leader. Mentor, Presenter (Shoalhaven Professional Business Association). *Special Responsibilities:* Chair Governance & Audit Committee, Leader Strategic Planning sub committee. *Interest in shares:* 1,000
John Peter Dunn **Treasurer** Retired	Retired Managing Director of an Engineering company in Sydney and past Vice President, past Secretary and current Director of St Georges Basin Country Club. Past Secretary of St Georges Basin Men's Bowling Club. Diploma in Commerce. *Special Responsibilities:* Treasurer, Marketing, Finance & Human Resources Committees. *Interest in shares:* Nil
Veronica Jean Husted **Director** Retired Library Assistant	Library Assistant, NSW Public Schools, Women's Employment Officer, NSW Public Service, Deputy Chair Southern Cross Community Housing, President of Crossroads Rural Fire Service, Secretary of Sanctuary Point Community Pride Inc. and previous involvement in many aspects of the community. Has Certificate IV in Workplace Training and Assessment and a Diploma in Labour Law. *Special Responsibilities:* Chair Community Affairs Committee *Interest in shares:* 500
Conrad William Dawe **Director** Retired Project Manager	Experience includes: Electrical Engineer for National Coal Board (UK); Lecturer at the College of Technology (UK) Engineering Superintendant; Roan Consolidated Copper Mines (Zambia); Electrical Design Engineer (Project Manager); Air Products Limited (UK); served six years on the board of Vincentia Golf Club *Special Responsibilities:* **About.....** Magazine Editor *Interest in shares:* Nil
Allen Christian Kruse **Director** *(Appointed 27 October 2014)* Retired	Experience with Bank of New South Wales and Banque National de Paris. Worked in the IT section of Department of Social Security and Centrelink. Project Manager on many Centrelink major IT development projects. Currently President of Sanctuary Point Community Pride Inc. *Special Responsibilities:* Member Community Affairs Committee *Interest in shares:* Nil

directors' report continued

Michelle Rebecca Miran **Director** *(Appointed 27 January 2015)* Self Employed	CEO ISD Group Training & Employment Ltd. CEO Institution of Surveyors Australia. CEO Spatial Sciences Institute. Business Development Manager NSW, State and Regional Development. Deputy Chair Group Training Association NSW, Deputy Chair Equestrian NSW, Deputy Chair Shoalhaven Workplace Learning. Self Employed Contractor, various community based committees. *Special Responsibilities:* Member of Marketing Committee *Interest in shares:* Nil
John Patrick Kelly **Director** *(Resigned 27 April 2015)* Retired	Retired Warrant Officer Royal Australian Navy 21 years, Managing Director of own building company 21 years, Secretary/Treasurer MOBI Yacht Nirimba Assn. *Special Responsibilities:* Member of Community Affairs Committee *Interest in shares:* Nil

Directors were in office for this entire year unless otherwise stated.

No directors have material interests in contracts or proposed contracts with the company.

COMPANY SECRETARY

Geoffrey McNiel Ellison was appointed to the position of the Company Secretary on 25 May 2015. Geoffrey is a current company director and insolvency consultant.

PRINCIPAL ACTIVITIES

The principal activities of the company during the financial year were facilitating **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

There have been no significant changes in the nature of these activities during the year.

OPERATING RESULTS

Operations have continued to perform in line with expectations. The profit of the company for the financial year after provision for income tax was:

	Year ended 30 June	
	2015 $	2014 $
	44,400	38,418

directors' report continued

REMUNERATION REPORT

Directors' Remuneration

With the exception of Nicholas Patrick Burke, no director of the company receives remuneration for services as a company director or committee member.

Nicholas Patrick Burke	2015 $
Salary	13,800
Superannuation Contribution	1,242

In Nicholas' capacity as Managing Director, he has been remunerated to the amount of $1,150 per month plus superannuation.

Directors Shareholdings

	Balance at start of year	Changes during the year	Balance at end of year
Nicholas Patrick Burke	-	-	-
Geoffrey McNiel Ellison	1,000	-	1,000
John Peter Dunn	-	-	-
Veronica Jean Husted	500	-	500
Conrad William Dawe	-	-	-
Allen Kruse *(Appointed 27 October 2014)*	-	-	-
Michelle Rebecca Miran *(Appointed 27 January 2015)*	-	-	-
John Patrick Kelly *(Resigned 27 April 2015)*	-	-	-

DIVIDENDS

	Year Ended 30 June 2015	
Dividends	Cents	$
Dividends paid in the year	29,700	5

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report of the financial statements.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company the results of those operations or the state of affairs of the company, in future years.

LIKELY DEVELOPMENTS

The company will continue its policy of facilitating banking services to the community.

ENVIRONMENTAL REGULATION

The company is not subject to any significant environmental regulation.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

directors' report continued

DIRECTORS' MEETINGS

The number of directors' meetings attended by each of the directors of the company during the year were:

	Committee Meetings Attended									
	Board Meetings Attended		Governance & Audit		Human Resources		Marketing		Community Affairs	
	A	B	A	B	A	B	A	B	A	B
Nicholas Patrick Burke	11	11	6	6	3	3	4	4	-	-
Geoffrey McNiel Ellison	11	8	6	6	-	-	-	-	-	-
John Peter Dunn	11	10	-	-	3	3	10	10	-	-
Veronica Jean Husted	11	10	-	-	-	-	-	-	4	4
Conrad William Dawe	11	7	-	-	-	-	-	-	-	-
Allen Kruse *(Appointed 27 October 2014)*	7	7	-	-	-	-	-	-	4	4
Michelle Rebecca Miran *(Appointed 27 January 2015)*	5	3	-	-	-	-	6	3	-	-
John Patrick Kelly *(Resigned 27 April 2015)*	7	4	-	-	-	-	-	-	2	1

A - Eligible to attend, B - Number attended

Branch Manager, Keith Robinson is Chairman of the Marketing committee and attended 10 meetings held during the year. He is also a member of the Community Affairs Committee and attended 4 out of 4 meetings held during the year.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

NON AUDIT SERVICES

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of directors has considered the position, in accordance with the advice received from the governance & audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

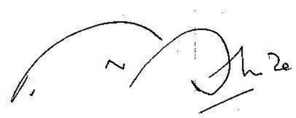
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 10.

Signed in accordance with a resolution of the board of directors at Sanctuary Point, New South Wales on 25th August 2015.



Nicholas Patrick Burke, Chairman

auditor's independence declaration

Partners in success

Chartered Accountants

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Bay & Basin Community Financial Services Limited

As lead auditor for the audit of Bay & Basin Community Financial Services Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

David Hutchings
Lead Auditor

Dated: 25 August 2015

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

P: (03) 5443 0344 | F: (03) 5443 5304 | 61-65 Bull St./PO Box 454 Bendigo Vic. 3552 | afs@afsbendigo.com.au | www.afsbendigo.com.au

TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

statement of profit or loss and other comprehensive income

for the financial year ended 30 June 2015

	Notes	2015 $	2014 $
Revenue from ordinary activities	4	716,168	683,787
Employee benefits expense		(302,072)	(291,039)
Charitable donations, sponsorship, advertising and promotion		(58,409)	(40,811)
Occupancy and associated costs		(50,566)	(49,420)
Systems costs		(20,232)	(21,349)
Depreciation and amortisation expense	5	(23,393)	(24,318)
General administration expenses		(197,029)	(201,967)
Profit before income tax expense		**64,467**	**54,883**
Income tax expense	6	(20,067)	(16,465)
Profit after income tax expense		44,400	38,418
Total comprehensive income for the year		**44,400**	**38,418**
Earnings per share for profit attributable to the ordinary shareholders of the company:		c	c
- Basic earnings per share	21	6.73	5.82

The accompanying notes for part of these financial statements

balance sheet

as at 30 June 2015

	Notes	2015 $	2014 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	371,469	330,306
Trade and other receivables	8	60,520	60,236
Total Current Assets		**431,989**	**390,542**
Non-Current Assets			
Property, plant and equipment	9	115,158	124,053
Intangible assets	10	51,536	65,278
Deferred tax assets	11	13,797	12,102
Total Non-Current Assets		**180,491**	**201,433**
Total Assets		**612,480**	**591,975**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	25,360	28,427
Current tax liabilities	11	12,031	7,297
Provisions	13	47,127	40,695
Total Current Liabilities		**84,518**	**76,419**
Non-Current Liabilities			
Provisions	13	1,460	3,754
Total Non-Current Liabilities		**1,460**	**3,754**
Total Liabilities		**85,978**	**80,173**
Net Assets		**526,502**	**511,802**
Equity			
Issued capital	14	624,056	624,056
Accumulated losses	15	(97,554)	(112,254)
Total Equity		**526,502**	**511,802**

The accompanying notes for part of these financial statements

statement of changes in equity

for the financial year ended 30 June 2015

	Issued Capital $	Accumulated Losses $	Total Equity $
Balance at 1 July 2013	624,056	(111,072)	512,984
Total comprehensive income for the year	-	38,418	38,418
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(39,600)	(39,600)
Balance at 30 June 2014	624,056	(112,254)	511,802
Balance at 1 July 2014	624,056	(112,254)	511,802
Total comprehensive income for the year	-	44,400	44,400
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(29,700)	(29,700)
Balance at 30 June 2015	624,056	(97,554)	526,502

statement of cashflows

for the financial year ended 30 June 2015

	Notes	2015 $	2014 $
Cash flows from operating activities			
Receipts from customers		756,783	745,528
Payments to suppliers and employees		(679,439)	(661,958)
Interest received		11,303	9,221
Income taxes paid		(17,028)	(3,294)
Net cash provided by operating activities	16	71,619	89,497
Cash flows from investing activities			
Payments for property, plant and equipment		(756)	(2,753)
Payments for intangible assets		-	(68,713)
Net cash provided by/(used in) investing activities		(756)	(71,466)
Cash flows from financing activities			
Dividends paid		(29,700)	(39,600)
Net cash provided by/(used in) financing activities		(29,700)	(39,600)
Net increase/(decrease) in cash held		41,163	(21,569)
Cash and cash equivalents at the beginning of the financial year		330,306	351,875
Cash and cash equivalents at the end of the financial year	7(a)	371,469	330,306

The accompanying notes for part of these financial statements

notes to the financial statements

for the financial year ended 30 June 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Boards and the *Corporations Act 2001*. The company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

These financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Historical cost convention

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Comparative figures

Where required by Australian Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Application of new and amended accounting standards

The following amendments to accounting standards and a new interpretation issued by the Australian Accounting Standards Board (AASB) became mandatorily effective for accounting periods beginning on or after 1 July 2014, and are therefore relevant for the current financial year:

- AASB 2012-3 Amendments to Australian Accounting Standards (AASB 132) – Offsetting Financial Assets and Financial Liabilities.
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets.
- AASB 2013-4 Amendments to Australian Accounting Standards (AASB 139) – Novation of Derivatives and Continuation of Hedge Accounting.
- AASB 2013-5 Amendments to Australian Accounting Standards (AASB 10) – Investment Entities.
- AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles).
- AASB 2014-1 Amendments to Australian Accounting Standards (Part B: Defined Benefit Plans: Employee Contributions Amendments to AASB 119).
- Interpretation 21 Levies.
- AASB 1031 Materiality, AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part B: Materiality), AASB 2014-1 Amendments to Australian Accounting Standards (Part C: Materiality).

None of the amendments to accounting standards or the new interpretation issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2014, materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

The following accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) become effective in future accounting periods.

	Effective for annual reporting periods beginning on or after
■ AASB 9 Financial Instruments, and the relevant amending standards.	1 January 2018
■ AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15.	1 January 2017
■ AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations.	1 January 2016
■ AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation.	1 January 2016
■ AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants.	1 January 2016
■ AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements.	1 January 2016

■	AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	1 January 2016
■	AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle.	1 January 2016
■	AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.	1 January 2016
■	AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.	1 July 2015
■	AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent.	1 July 2015
■	AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception.	1 January 2016

The company has not elected to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2014. Therefore the abovementioned accounting standards or interpretations have no impact on amounts recognised in the current period or any prior period.

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at Sanctuary Point, New South Wales.

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank®** branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank®** branch are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

The Company promotes and sells the products and services, but is not a party to the transaction.

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide Bank Limited entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank®** branch franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branch;
- training for the branch manager and other employees in banking, management systems and interface protocol;
- methods and procedures for the sale of products and provision of services;
- security and cash logistic controls;
- calculation of company revenue and payment of many operating and administrative expenses;
- the formulation and implementation of advertising and promotional programs; and
- sales techniques and proper customer relations.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

notes to the financial statements continued

for the financial year ended 30 June 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Revenue calculation

Over the period from September 2013 to February 2015, Bendigo and Adelaide Bank Limited conducted a review of the **Community Bank®** model, known as 'Project Horizon'. This was conducted in consultation with the community banking network. The objective of the review was to develop a shared vision of the **Community Bank®** model that positions it for success now and for the future.

The outcome of that review is that the fundamental franchise model and community participation remain unchanged. Changes to be implemented over a three year period reflect a number of themes, including a culture of innovation, agility and flexibility, network collaboration, director and staff development and a sustainable financial model. This will include changes to the financial return for **Community Bank®** companies from 1 July 2016. A funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin. All revenue paid on core banking products will be through margin share. Margin on core banking products will be shared on a 50/50 basis.

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo and Adelaide Bank Limited decides the form of revenue the company earns on different types of products and services.

The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Core banking products

Bendigo and Adelaide Bank Limited has identified some Bendigo Bank Group products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 days' notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

Margin

Margin is arrived at through the following calculation:

> Interest paid by customers on loans less interest paid to customers on deposits
>
> *plus* any deposit returns i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit,
>
> *minus* any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it.

The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan. From 1 July 2016, both will mean the cost for Bendigo and Adelaide Bank Limited to borrow the money in the market.

Products and services on which margin is paid include variable rate deposits and variable rate home loans. From 1 July 2016, examples include Bendigo Bank branded at call deposits, term deposits and home loans.

For those products and services on which margin is paid, the company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited's interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss.

Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products. This currently also includes Bendigo Bank branded fixed rate home loans and term deposits of more than 90 days, but these will become margin products from 1 July 2016.

Fee income

Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank Group entities including fees for loan applications and account transactions.

Ability to change financial return

Under the franchise agreement, Bendigo and Adelaide Bank Limited may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo and Adelaide Bank Limited earns revenue.

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the Company receives on a particular product or service. The effect of the change on the revenue earned by the Company is entirely dependent on the change.

If Bendigo and Adelaide Bank Limited makes a change to the margin or commission on core banking products and services, it must not reduce the margin and commission the company receives on core banking products and services Bendigo and Adelaide Bank Limited attributes to the company to less than 50% (on an aggregate basis) of Bendigo and Adelaide Bank Limited's margin at that time. For other products and services, there is no restriction on the change Bendigo and Adelaide Bank Limited may make.

Bendigo and Adelaide Bank Limited must give the company 30 days' notice before it changes the products and services on which margin, commission or fee income is paid, the method of calculation of margin and the amount of margin, commission or fee income.

Monitoring and changing financial return

Bendigo and Adelaide Bank Limited monitors the distribution of financial return between **Community Bank®** companies and Bendigo and Adelaide Bank Limited on an ongoing basis.

Overall, Bendigo and Adelaide Bank Limited has made it clear that the **Community Bank®** model is based on the principle of shared reward for shared effort. In particular, in relation to core banking products and services, the aim is to achieve an equal share of Bendigo and Adelaide Bank Limited's margin.

As discussed above in relation to Project Horizon, among other things, there will be changes in the financial return for **Community Bank®** companies from 1 July 2016. This includes 50% share of margin on core banking products, all core banking products become margin products and a funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin.

c) Income Tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the company entity intends to settle its tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

d) Employee Entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

e) Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

f) Trade Receivables and Payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

notes to the financial statements continued

for the financial year ended 30 June 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

g) Property, Plant and Equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements 40 years
- plant and equipment 2.5 – 40 years
- furniture and fittings 4 – 40 years

h) Intangibles

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

i) Payment Terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

j) Borrowings

All loans are initially measured at the principal amount. Interest is recognised as an expense as it accrues.

k) Financial Instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Classification and subsequent measurement

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

ii. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

iii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in the Statement of Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where that are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

iiii. Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

m) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions of other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

n) Contributed Equity

Ordinary shares are recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

o) Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

p) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

NOTE 2. FINANCIAL RISK MANAGEMENT

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the board of directors.

(i) Market risk

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

(iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(vi) Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the balance sheet.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the distribution limit.

notes to the financial statements continued

for the financial year ended 30 June 2015

NOTE 2. FINANCIAL RISK MANAGEMENT CONTINUED

The distribution limit is the greater of:

a. 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and

b. subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2015 can be seen in the statement of comprehensive income.

There were no changes in the company's approach to capital management during the year.

NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty. There is therefore a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the statement of comprehensive income.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTE 4. REVENUE FROM ORDINARY ACTIVITIES

	2015 $	2014 $
Operating activities:		
- services commissions	629,910	609,231
- other revenue	76,438	65,303
Total revenue from operating activities	706,348	674,534
Non-operating activities:		
- interest received	9,820	9,253
Total revenue from non-operating activities	9,820	9,253
Total revenues from ordinary activities	716,168	683,787

NOTE 5. EXPENSES

	2015 $	2014 $
Depreciation of non-current assets:		
- plant and equipment	7,696	8,600
- leasehold improvements	1,954	1,954
Amortisation of non-current assets:		
- franchise agreement	2,266	2,293
- franchise renewal fee	11,477	11,471
	23,393	24,318
Bad debts	2,346	6,418

NOTE 6. INCOME TAX EXPENSE

	2015 $	2014 $
The components of tax expense comprise:		
- Current tax	21,762	18,825
- Movement in deferred tax	(2,421)	(2,360)
- Adjustment to deferred tax to reflect change to tax rate in future periods	726	-
	20,067	16,465
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating profit	64,467	54,883
Prima facie tax on profit from ordinary activities at 30%	19,341	16,465
Add tax effect of:		
- timing difference expenses	2,421	2,360
	21,762	18,825
Movement in deferred tax	(2,421)	(2,360)
Adjustment to deferred tax to reflect change of tax rate in future periods	726	-
	20,067	16,465

notes to the financial statements continued

for the financial year ended 30 June 2015

NOTE 7. CASH AND CASH EQUIVALENTS

	2015 $	2014 $
Cash at bank and on hand	87,098	56,723
Term deposits	284,371	273,583
	371,469	330,306

Note 7. (a) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:	2015 $	2014 $
Cash at bank and on hand	87,098	56,723
Term deposits	284,371	273,583
	371,469	330,306

NOTE 8. TRADE AND OTHER RECEIVABLES

	2015 $	2014 $
Trade receivables	52,099	48,972
Prepayments	5,974	6,524
Other receivables and accruals	2,447	4,740
	60,520	60,236

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

	2015 $	2014 $
Leasehold improvements		
At cost	78,165	78,165
Less accumulated depreciation	(21,956)	(20,002)
	56,209	58,163
Plant and equipment		
At cost	138,555	137,800
Less accumulated depreciation	(79,606)	(71,910)
	58,949	65,890
Total written down amount	115,158	124,053

NOTE 9. PROPERTY, PLANT AND EQUIPMENT CONTINUED

	2015 $	2014 $
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	58,163	60,117
Additions	-	-
Disposals	-	-
Less: depreciation expense	(1,954)	(1,954)
Carrying amount at end	56,209	58,163
Plant and equipment		
Carrying amount at beginning	65,890	71,737
Additions	755	2,753
Disposals	-	-
Less: depreciation expense	(7,696)	(8.600)
Carrying amount at end	58,949	65,890
Total written down amount	115,158	124,053

NOTE 10. INTANGIBLE ASSETS

	2015 $	2014 $
Franchise fee		
At cost	82,930	82,930
Less: accumulated amortisation	(74,314)	(72,049)
	8,616	10,881
Renewal processing fee		
At cost	114,645	114,645
Less: accumulated amortisation	(71,725)	(60,248)
	42,920	54,397
Total written down amount	51,536	65,278

notes to the financial statements continued

for the financial year ended 30 June 2015

NOTE 11. TAX

	2015 $	2014 $
Current:		
Income tax payable	12,031	7,297
Non-Current:		
Deferred tax assets		
- accruals	699	-
- employee provisions	13,847	13,335
	14,546	13,335
Deferred tax liability		
- accruals	749	1,233
	749	1,233
Net deferred tax asset	13,797	12,102
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(1,695)	(2,360)

NOTE 12. TRADE AND OTHER PAYABLES

	2015 $	2014 $
Trade creditors	10,078	14,002
Other creditors and accruals	15,282	14,425
	25,360	28,427

NOTE 13. PROVISIONS

	2015 $	2014 $
Current:		
Provision for annual leave	24,094	23,100
Provision for long service leave	23,033	17,595
	47,127	40,695
Non-Current:		
Provision for long service leave	1,460	3,754

NOTE 14. CONTRIBUTED EQUITY

	2015 $	2014 $
660,000 Ordinary shares fully paid (2014; 660,000) Less: equity raising expenses	660,000 (35,944)	660,000 (35,944)
	624,056	624,056

Rights attached to shares

a. Voting rights

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank®** branch have the same ability to influence the operation of the company.

b. Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

c. Transfer

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the *Corporations Act 2001*.

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if they control or own 10% or more of the shares in the company (the "10% limit").

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

notes to the financial statements continued

for the financial year ended 30 June 2015

NOTE 15. ACCUMULATED LOSSES

	2015 $	2014 $
Balance at the beginning of the financial year	(112,254)	(111,072)
Net profit from ordinary activities after income tax	44,400	38,418
Dividends paid or provided for	(29,700)	(39,600)
Balance at the end of the financial year	(97,554)	(112,254)

NOTE 16. STATEMENT OF CASH FLOWS

	2015 $	2014 $
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	44,400	38,418
Non cash items:		
- depreciation	9,650	10,554
- amortisation	13,743	13,764
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(284)	1,866
- (increase)/decrease in other assets	(1,695)	(2,360)
- increase/(decrease) in payables	(3,067)	19,356
- increase/(decrease) in provisions	4,138	7,899
- increase/(decrease) in current tax liabilities	4,734	-
Net cash flows provided by operating activities	71,619	89,497

NOTE 17. LEASES

	2015 $	2014 $
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	28,175	27,700
- between 12 months and 5 years	77,482	103,876
- greater than 5 years	-	-
	105,657	131,576

The rental lease agreement on the branch premises is a non-cancellable lease with a five year term, with rent payable monthly in advance. The current lease was renewed on 21 March 2014 and expires on 21 March 2019, with the option of a further term of five years available to be exercised.

NOTE 18. AUDITORS' REMUNERATION

	2015 $	2014 $
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	3,950	3,850
- share registry services	3,766	2,712
- non-audit services	2,200	2,050
	9,916	8,612

NOTE 19. DIRECTOR AND RELATED PARTY DISCLOSURES

With the exception of Nicholas Patrick Burke, no director of the company receives remuneration for services as a company director or committee member.

Nicholas Patrick Burke was appointed to the position of Managing Director and Chairman, effective 23 June 2010. For this role his remuneration for the year ended 30 June 2015 was as follows:

	2015 $	2014 $
Salary	13,800	13,800
Superannuation Contribution	1,242	1,242

There are no other executives within the company whose remuneration is required to be disclosed.

Detailed remuneration disclosures are provided in the remuneration report, included as part of the directors' report.

notes to the financial statements continued

for the financial year ended 30 June 2015

NOTE 20. DIVIDENDS PAID OR PROVIDED

	2015 $	2014 $
a. Dividends paid during the year		
Current year dividend 100% (2014: 100%) franked dividend - 4.5 cents (2014: 6 cents) per share	29,700	39,600
b. Dividends proposed and not recognised as a liability		
Current year dividend 100% (2014: 100%) franked dividend - 6 cents (2014: Nil cents) per share	39,600	-
The tax rate at which dividends have been franked is 30% (2014: 30%).		
Dividends proposed will be franked at a rate of 30% (2014: Nil%).		
c. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	32,543	28,244
- franking credits that will arise from payment of income tax as at the end of the financial year	12,031	7,297
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	44,574	35,541
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	44,574	35,541

NOTE 21. EARNINGS PER SHARE

	2015 $	2014 $
a. Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	44,400	38,418
	Number	Number
b. Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	660,000	660,000

NOTE 22. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no events after the end of the financial year that would materially affect the financial statements.

NOTE 23. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities at the date of this report to affect the financial statements.

NOTE 24. SEGMENT REPORTING

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Sanctuary Point and Districts, New South Wales pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

NOTE 25. REGISTERED OFFICE/PRINCIPAL PLACE OF BUSINESS

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	Principal Place of Business
1/200 Kerry Street	1/200 Kerry Street
Sanctuary Point NSW 2540	Sanctuary Point NSW 2540

NOTE 26. FINANCIAL INSTRUMENTS

Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for all financial instruments, as well as the settlement period for instruments with a fixed period of maturity and interest rate.

Financial instrument	Floating interest rate		Fixed interest rate maturing in: 1 year or less		Over 1 to 5 years		Over 5 years		Non interest bearing		Weighted average	
	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $	2015 %	2014 %
Financial Assets												
Cash and cash equivalents	87,056	56,716	284,371	273,583	-	-	-	-	42	7	2.75	2.70
Receivables	-	-	-	-	-	-	-	-	52,099	48,972	N/A	N/A
Financial Liabilities												
Payables	-	-	-	-	-	-	-	-	10,078	14,002	N/A	N/A

Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. The company does not have any unrecognised financial instruments at the year end.

Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements. There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the interest bearing financial assets and liabilities in place subject to variable interest rates, as outlined above.

Sensitivity Analysis

The company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in interest rates. As at 30 June 2015, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2015 $	2014 $
Change in profit/(loss)		
- Increase in interest rate by 1%	3,714	3,303
- Decrease in interest rate by 1%	3,714	3,303

	2015 $	2014 $
Change in equity		
- Increase in interest rate by 1%	3,714	3,303
- Decrease in interest rate by 1%	3,714	3,303

director's declaration

year ended 30 June 2015

In accordance with a resolution of the directors of Bay & Basin Community Financial Services Limited we state that:

In the opinion of the directors:

a. the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:

  i. giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and

  ii. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

b. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

c. the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.

Nicholas Patrick Burke,
Chairman
Signed on 25th of August 2015.

independent auditor's report

Partners in success

Chartered Accountants

Independent auditor's report to the members of Bay & Basin Community Financial Services Limited

Report on the financial report

We have audited the accompanying financial report of Bay & Basin Community Financial Services Limited, which comprises the balance sheet as at 30 June 2015, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the company's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

P: (03) 5443 0344 | F: (03) 5443 5304 | 61-65 Bull St./PO Box 454 Bendigo Vic. 3552 | afs@afsbendigo.com.au | www.afsbendigo.com.au

independent auditor's report continued

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report.

Auditor's opinion on the financial report

In our opinion:

1. The financial report of Bay & Basin Community Financial Services Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2015 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Bay & Basin Community Financial Services Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

David Hutchings
Lead Auditor

Dated: 25 August 2015

Sanctuary Point & Districts **Community Bank®** Branch
1/200 Kerry Street, Sanctuary Point NSW 2540
Phone: (02) 4443 9825 Fax: (02) 4443 9935

Sanctuary Point & Districts **Community Bank®** Branch Agency
Harcourts Real Estate
Shop 3, Campbell Court, Vincentia NSW 2540
Phone: (02) 4441 5747

www.aboutbayandbasin.org